

Chapter 19D

Dual-regulated firms Remuneration Code

19D.2 General requirement

Remuneration policies must promote effective risk management

19D.2.1 R

A *firm* must establish, implement and maintain *remuneration* policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

[Note: article 74(1) of CRD]

19D.2.2 G

- (1) The *dual-regulated firms Remuneration Code* covers all aspects of *remuneration* that could have a bearing on effective risk management, including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements.
- (2) As with other aspects of a *firm's* systems and controls, in accordance with ■ SYSC 4.1.2R (general organisational requirements) *remuneration* policies, procedures and practices must be comprehensive and proportionate to the nature, scale and complexity of the *common platform firm's* activities. What a *firm* must do in order to comply with the *dual-regulated firms Remuneration Code* will therefore vary. For example, while the *dual-regulated firms Remuneration Code* refers to a *firm's remuneration committee* and risk management function, it may be appropriate for the *governing body* of a smaller *firm* to act as the *remuneration committee* and for the *firm* not to have a separate risk management function.
- (3) The FCA may also ask *remuneration committees* to provide it with evidence of how well the *firm's* remuneration policies meet the *dual-regulated firms Remuneration Code's* principles, together with plans for improvement where there is a shortfall.
- (4) The FCA would also expect *firms* to apply, on a *firm-wide* basis, at least the following principles relating to:
 - (a) risk management and risk tolerance (Remuneration Principle 1);
 - (b) supporting business strategy, objectives, values and long-term interests of the firm (Remuneration Principle 2);
 - (c) avoiding conflicts of interest (Remuneration Principle 3);
 - (d) governance (Remuneration Principle 4);
 - (e) risk adjustment (Remuneration Principle 8);
 - (f) pension policy (Remuneration Principle 9);

- (g) personal investment strategies (Remuneration Principle 10);
- (h) payments related to early termination (Remuneration Principle 12(e)); and
- (i) deferral (Remuneration Principle 12(g)).

Gender neutral policies and practices

19D.2.2A **R** A firm must ensure that its remuneration policy is a gender neutral remuneration policy and the practices referred to in ■ SYSC 19D.2.1R are gender neutral.

[Note: articles 74(1) and 92(2)(aa) of CRD V]

19D.2.2B **G** Firms are reminded that the Equality Act 2010 prohibits discrimination on the basis of an individual’s protected characteristics both before and after employment is offered. The Act applies to pay and all other contractual terms, including variable remuneration. A firm should ensure that its remuneration policy complies with the Equality Act 2010.

19D.2.2C **G** Firms should ensure that when they assess individual performance, the assessment process and any variable remuneration awarded in accordance with ■ SYSC 19D.3.39R does not discriminate on the basis of the protected characteristics of an individual.

Record keeping

19D.2.3 **R** In line with the record-keeping requirements in ■ SYSC 9, a firm must ensure that its remuneration policies, practices and procedures, including performance appraisals processes and decisions, are clear and documented.

Interpretation of references to remuneration

- 19D.2.4 **R**
- (1) In this chapter, references to remuneration include remuneration paid, provided or awarded by any person to the extent that it is paid, provided or awarded in connection with employment by a firm.
 - (2) Paragraph (1) is without prejudice to the meaning of remuneration elsewhere in the Handbook.

19D.2.5 **G** For example, remuneration includes payments made by a seconding organisation which is not subject to the dual-regulated firms Remuneration Code to a secondee in respect of their employment by a firm which is subject to the dual-regulated firms Remuneration Code.